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Memorandum  
City Manager's Office

TO: HONORABLE MAYOR AND  
CITY COUNCIL

FROM: Alex Gurza

SUBJECT: San Jose Fire Fighters Union Proposal DATE: August 2, 2010

Approved

Date

8/2/10

**INFORMATION**

The purpose of this memorandum is to provide additional information regarding the attached proposal we received from the San Jose Fire Firefighters union (Local 230) on Sunday, August 1<sup>st</sup>.

The savings generated from the reduction in pay and benefits in Local 230's proposal is approximately \$4.17 million, which leaves a gap of approximately \$6.45 million to restore the following services that were eliminated in the Fiscal Year 2010-2011 Adopted Budget:

Fire Service	Per Item Cost
Truck Company 3	\$2,380,134
Engine Company 35	\$2,170,546
Engine Company 34	\$1,944,474
Engine Company 33	\$2,242,537
Engine Company 30	\$1,895,756
<b>Total Amount Needed to Restore Fire Services</b>	<b>\$10,633,447</b>
Local 230 Proposal Savings	\$4,176,563
<b>Additional Concessions Needed</b>	<b>\$6,456,884</b>

Since we received this proposal via email, we have not had an opportunity to review this proposal with Local 230 to be sure we understand the various elements of the package proposal. We have contacted Local 230 suggesting that the negotiating teams meet on Wednesday, August 4<sup>th</sup>.

All proposals and correspondence related to negotiations with Local 230 are available on the City's Labor Relations webpage at: <http://www.sanioseca.gov/employeerelations/labor.asp>

Alex Gurza  
Director of Employee Relations

For questions, please contact Alex Gurza, Director of Employee Relations, at 535-8155.

Attachment





# ***San Jose Fire Fighters • Local 230***

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## **SAN JOSE FIREFIGHTER SETTLEMENT PROPOSAL August 1, 2010**

### **TERM**

This Memorandum of Agreement (hereinafter, "Agreement") shall become effective July 1, 2009, except where otherwise provided, and shall remain in effect through June 30, 2011. No amendment or change to the provisions of this Agreement shall be valid or binding unless reduced to writing and signed by duly authorized representative(s) of the parties.

### **WAGES**

Fiscal Year 2009-2010, zero (0%) wage increase.

Fiscal Year 2010-2011, zero (0%) wage increase.

### **ADDITIONAL EMPLOYEE RETIREMENT CONTRIBUTIONS**

Effective June 27, 2010 through June 25, 2011, all employees represented by the IAFF Local 230 will make an additional retirement contribution in the amount of 5.25% of pensionable compensation and the amounts so contributed will be applied to reduce the contributions that the City would otherwise be required to make for the pension unfunded liability, which is defined as all costs in both the regular retirement fund and the cost-of-living fund, except current service normal costs in those funds. This additional employee retirement contribution would be in addition to the employee retirement contribution rates that have been approved by the Police & Fire Department Retirement Board. The intent of this additional contribution by employees is to reduce the City's required pension retirement contribution rate by a commensurate 5.25% of pensionable compensation.

### **TREATMENT OF ADDITIONAL EMPLOYEE RETIREMENT CONTRIBUTIONS**

These contributions shall be treated in the same manner as any other employee contributions. Accordingly, the intent of these additional payments will be made on a pre-tax basis through payroll deductions pursuant to IRS Code Section 414(h)(2) and will be subject to withdrawal, return and redeposit in the same manner as any other employee contributions.



## **IMPLEMENTATION OF ADDITIONAL EMPLOYEE CONTRIBUTIONS AND MISSED CONTRIBUTIONS**

It is the intent of the parties that the employees pay the entire annual amount of the additional retirement contributions for the 2010-2011 Fiscal Year. Since the additional employee contributions will not be implanted in the City's payroll system the Finance Department will compute the rate that will generate the total amount of additional retirement contributions of the remaining pay periods in the fiscal year as if the contribution rate had been implanted on June 27, 2010.

For example, if the additional contributions do not begin until August 22, 2010 (pay period# 18) the additional employee contributions for each of the subsequent pay periods in the 2010-2011 Fiscal Year will be recalculated by the Finance Department so that 100% of the additional employee contributions are made by the end of the fiscal year.

The parties understand that in order to implement this provision, an amendment must be made to the Police & Fire Department Retirement Plan that requires an ordinance amending the San Jose Municipal Code. In addition, the parties understand that the City will request that the Police and Fire Department Retirement Board have its actuary confirm that an increase of the employee contribution will reduce the City's contribution rate by a commensurate amount.

## **CONTINGENCY PROVISION**

In the event that the additional employee retirement contributions described above are not implemented for any reason by October 1, 2010 or the Police & Fire Department Retirement Boards' actuary concludes that the City's contribution rate could not be reduced by a commensurate amount, the equivalent amount of compensations shall be taken on a pre tax contribution basis to off-set the city's contribution for health and dental premium costs.

In the event that the additional employee retirement contributions described above are ceased for any reason thereafter, or the Police and Fire Department Retirement Board's actuary concludes that the City's contribution rate could not be reduced by the commensurate amount after beginning such deductions, the equivalent amount of compensation shall be taken as a base pay reduction on a pre tax contribution basis to off-set the City's contribution for health and dental premium costs.

## **HEALTH CARE COST SHARING**

Effective December 26, 2010 the City will pay eighty-five percent (85%) of the full premium cost of the lowest cost plan for employee or for employee and dependent coverage and the employee will pay fifteen percent (15%) of the premium for the lowest priced plan for employee or for employee and dependent coverage. If an employee selects a plan other than the lowest priced plan, the employee shall pay the difference between the total cost of the selected plan and the City's contribution toward the lowest priced plan for employee or for employee and dependent coverage.



## **HEALTHCARE HMO PLAN DESIGN**

Co pays for all available HMO plans shall be as follows:

- a. Office Visit Co-pay shall be increased to \$25.
- b. Prescription Co-pay shall be increased to \$10 for generic and \$25 for brand name.
- c. Emergency Room Co-pay shall be increased to \$100
- d. Inpatient/Outpatient procedure co pay shall be increased to \$100

## **HEALTH AND DENTAL IN LIEU**

Effective December 26, 2010 employees who qualify for and participate in the payment in-lieu of health and/or dental insurance program will receive the following per pay period

	Health in lieu	Dental in lieu
If eligible for family coverage	\$221.84	\$19.95
If NOT eligible for family coverage	\$89.09	\$19.95

A City employee who receives healthcare coverage as a dependent of another City employee or retiree shall be deemed not eligible for family coverage.

## **HEALTH CARE DUAL COVERAGE**

### **Health Insurance Coverage**

Effective January 1, 2011, an employee may not be simultaneously covered by City-provided medical benefits as a City employee, and as a dependent of another City employee.

### **Dental Plan**

Effective January 1, 2011, an employee may not be simultaneously covered by City-provided dental benefits as a City employee, and as a dependent of another City employee.

## **~~NO LAYOFFS DURING FISCAL YEAR 2010-2011~~**

~~Effective July 1, 2010 through June 30, 2011, there shall be no layoffs of positions represented by IAFF Local 230~~

~~For purposes of this section, layoff shall be defined as involuntarily leaving City employment due to budget reductions.~~

~~Any positions restored through one-time savings will restore positions for fiscal year 2010-2011 only. These positions will be eliminated on June 30, 2011.~~



## **ALTERNATE DEPLOYMENT MODEL**

SJFF will remove the "no lay off provision" from our offer because it has been identified by the city as a barrier to an agreement. Furthermore, SJFF will immediately meet with the Fire Chief to develop and implement an alternative deployment program, based on his experience and expertise, which will save millions of dollars. These savings will then be used to re-hire laid off fire fighters who will be deployed to keep fire stations and companies open and in service.

## **UNIFORM PAY**

Employees are eligible to receive \$495 annually for uniform allowance payable in lump sum in January of each year. The uniform allowance for eligible employees shall be reduced by an amount, agreed upon by the parties, equivalent to the Health care reductions that would have taken place on July 1, 2010 – January 1, 2011. The intent of this reduction in uniform allowance is to offset as if all of the health care reductions had taken place on July 1, 2010- January 1, 2011. The Finance Department will calculate the appropriate dollar amount to be taken from each employees biweekly pay. In the event that the necessary amount to offset the \$495 exceeded, then the City shall take the remaining amount necessary to fill the void from base pay reductions.

## **STRENGTHENING RETIREMENT SYSTEMS (GASB Payments)**

Effective June 30, 2011, the parties agree that for the next five (5) years, bargaining unit employees shall contribute on a pre-tax basis towards retiree medical benefits in an amount agreed upon by the parties

The parties agree that the contributions made effective June 30, 2011 shall be held in trust for the sole and exclusive purpose of funding firefighter retiree healthcare benefits.

## **CHARTER SECTION 11.11**

The parties agree that before the city council would take any action to amend San Jose Charter section 11.11 (Arbitration) the City would immediately conduct stakeholder meetings and seek public input to properly analyze a potential charter modification.

These stakeholder and public meetings would be intended to ensure the public and impacted stakeholders would have adequate notice and the ability to participate in a dialogue prior to the Mayor and City Council placing any measure on the ballot to modify or delete Charter Section 11.11. These meetings would commence as soon as the City schedules them and upon their completion in no way would prohibit the City from placing a modification or repeal of Charter Section 11.11 on the ballot at a future time.



## **RETIREMENT BENEFIT REFORM**

The parties agree to commence meeting and conferring on pension benefit/costs for current and future employees within 30-days of a ratified agreement. Everything from retirement benefits and appropriate retirement ages to pension contributions and their relations to salary for new hires should be topics for meeting and conferring. If the City is agreeable, Local 230 is prepared now to agree to a two tier formula for new hires, said formula would reduce pensions for new hires to 80% of final salary upon completion of 30 years.

## **CONCLUSION**

This is a package proposal. This package proposal is submitted in an attempt to reach a settlement in these extraordinary economic circumstances facing the City and in an effort to save Fire companies from closure. This does not concede Local 230's position on "Market Placement." In the event the package proposal is not accepted, Local 230 reserves the right to modify or amend any future proposals, including, but not limited to, the effective dates of the specific changes. In the event of interest arbitration, final proposals are not limited to and need not reflect the issues or proposals made during bargaining.